



New Jersey Turnpike Authority

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July 21, 2015

TO ALL PROPOSERS:

RE: New Jersey Turnpike Authority
Request for Proposals
External Auditing Services

Responses to Inquiries

Dear Sir/Madam:

Below is the New Jersey Turnpike Authority's responses to inquiries received with respect to the above-referenced Request for Proposal ("RFP").

Response to Inquiries:

1. What are the contracted fees for the audit of 2014, 2013, 2012, 2011 and 2010?

ANSWER: \$277,500, \$267,500, \$257,500, \$247,500, \$237,500

2. Did the audit of the 2014 & 2013 financial statements result in material weaknesses, significant deficiencies or management letter of comments? If yes, can you provide a copy?

ANSWER: No.

3. Does the Authority prepare MD&A, financial statements, footnotes and supplemental schedules?

ANSWER: Yes.

4. How many staff was on the engagement?

ANSWER: One Associate, One Senior, One Manager and One Partner.

5. Approximately how many hours were incurred by prior auditor (KPMG)?

ANSWER: The contract was fixed price so we were not billed by hour.

6. How many adjusting journal entries were proposed by KPMG and what was the nature of those entries?

ANSWER: There were no adjusting entries. However, the 2009 Financials had a restatement to opening fund balance due to an error in calculating depreciation in PeopleSoft that was caused by an error in the estimated useful lives that occurred in 2005 when the system was implemented.

7. Have there been any significant changes in operations, procedures, or personnel that would impact the audit process?

ANSWER: No.

8. Does the Authority have an internal audit department?

ANSWER: Yes.

9. Is there a SBE/MBE/WBE required percentage?

ANSWER: There is no required percentage for SBE/MBE/WBE. However, the Authority encourages SBE/MBE/WBE participation.

10. Please provide copies of the following prior year deliverables:

- a. The Authority's Comprehensive Annual Financial Report (CAFR) – **See Authority's website under Investor Relations**
- b. Single Audit (A-133) Reports for 2014 and 2013
- c. Reports on compliance outlined in Section III, C. 4. and 5.
- d. The Garden State Arts Foundation, Inc. (the "Foundation") audited financial statements
- e. Federal Form 990, Federal Form 990-T and New Jersey Form CRI-300 for the Foundation
- f. Management Letter, if one was issued – **No Management Letter issued.**

ANSWER: Copies of all reports are attached as exhibits to the responses to inquiries.

11. Please provide the prior two year's engagement fees for the requested services, including a breakout by deliverable.

ANSWER: \$267,500 and \$227,500 with an additional \$125,000 for on-call services.

12. In regard to the engagement fees, if there were additional projects requested by the Authority, please explain the nature of the projects and the engagement fees for each.

ANSWER: There were a number of consent letters issued by the external auditors relative to bond offerings and the issuance of the December 31, 2014 CAFR.

13. What is the anticipated timeline of the draft financial statements being made available to the auditors on an annual basis?

ANSWER: January 31st

14. The financial statements indicate that employees of the Authority are covered by the Public Employees' Retirement System of New Jersey (PERS), which is a cost-sharing multi-employer pension plan. Please explain the methodology/approach that will be used to determine the Authority's proportionate share of the Plan's Collective Pension Amounts. Please include the following in your explanation:

- a. Will the PERS provide a schedule of employer allocations and related notes to the schedule?
- b. Will the PERS auditor form an opinion and report on the schedule in accordance with AU-C 805, Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement.
- c. What is the anticipated timing of this information being made available to the Authority and its auditor?

ANSWER: To date we have not received any guidance on implementation from the State.

15. Who prepares the valuations for derivative instruments and evaluates their continued effectiveness (if applicable)? What is the anticipated timing of this information being available?

ANSWER: Currently the Authority's financial advisor, First Southwest. The reports are available by January 31st.

16. Does Xerox provide the Authority with a SOC 1 Type II report relating to the electronic toll collection contract? If so, what period does the report cover and when is it made available to the Authority and its auditor?

ANSWER: Yes. It covers the period November 1 – October 31 each year, with a bridge letter for December 31. The report is due by contract by December 31.

17. Has the Internal Audit Department provided assistance to the auditor during previous engagements? If so, please describe the scope of work completed by the Internal Audit Department and the approximate number of hours that were provided.

ANSWER: Yes. The Internal Audit Department furnished audit reports to the external auditors for their overall review of internal controls and to determine any existence of fraudulent activities. The number of hours were minimal.

18. Please provide the number of annual hours that could be made available for audit assistance from the Internal Audit Department.

ANSWER: Approximately 140 hours.

19. Have there been any new bond issues or derivative transactions entered into subsequent to the issuance of the prior year financial statements?

ANSWER: Refer to the subsequent event footnote in the 2014 Financial Statements. Which are on the Authority's website.

20. Are there any new Federal or State programs being administered by the Authority or Foundation that were not included in the Schedule of Expenditures of Federal Awards for the year ended December 31, 2014? If so, please list the total expenditures and the CFDA # or State identification number.

ANSWER: Not at this time.

21. Is there a goal for Small Business Enterprise Participation? If so, how will it be weighted in the evaluation process?

ANSWER: Please see answer to question #9.

22. Did the prior auditors use Small Business Enterprise participation on this engagement? If so, what level of participation was obtained?

ANSWER: None.

23. Please provide us with the responses to any other questions that have been submitted in relation to this Request for Proposal.

ANSWER: Responses will be emailed to Proposers (on the Vendor's List) and posted on the Authority's website.

24. What level of assistance is given to the auditors by Authority staff?

ANSWER: See question #3.

- a) Who prepares to basic financial statements and footnotes?

ANSWER: See question #3.

- b) Who prepares the CAFR?

ANSWER: Authority staff.

- c) Who prepares the Schedule of Federal and State Assistance?

ANSWER: Authority staff.

- d) What work papers, including analyses, lead sheets, confirmations etc. are prepared?

ANSWER: Confirmations are prepared by the auditors for all Authority bank and trust account, all investment accounts, and all outstanding bonds. We do not know what work papers are completed by the current auditors.

25. Are copies of other required reports available?

- a) OMB A-133 Single Audit? **See question #10.**
- b) Compliance with NJDOT, FHA and Authority? **See question #10.**
- c) Compliance with 1991 Turnpike Revenue Bond Resolution? **See question #10.**
- d) Garden State Arts Foundation, separate financial statements? **See question #10.**
- e) Prior Year Management Letter? **See question #10.**
- f) Typical Consent Letter? **See attachment to responses.**

26. Who prepares the 990's and CRI-300?

ANSWER: External Auditors.

27. Is a list of prior year audit adjusting entries (if applicable) available?

ANSWER: Not applicable.

28. Concerning the Single Audit, are there new Type A and B programs in 2015 that would materially effect the scope vs. prior years?

ANSWER: See question #20.

29. Are there system descriptions and flowcharts available for the major business systems at the Authority?

ANSWER: Yes, upon request.

30. What has been the timing of field work in prior years? When was interim and year-end work performed and how many staff were in the field and for how many days?

ANSWER: Normally starts November 1st for two weeks for interim work. Year-end work starts mid-January to the end of March. See #4 for staffing levels.

31. Concerning additional or "on-call" billings, discuss the amount of time and costs of these services for the prior three years. How much was expended?

ANSWER: The contract was a flat fee, therefore no hours were billed. These services included consent letters for bond offerings and the issuance of the December 31, 2014 CAFR.

32. Are bond sales or other financings planned for the upcoming year?

ANSWER: Yes the Authority will complete one new money transaction in 2016 and one refunding transaction.

33. At what locations will the field work take place for the various entities?

ANSWER: This depends on what the auditors want to observe. All financial records are kept at the 581 Main Street headquarters. Inventory counts are performed at maintenance districts located along the two roadways. All technology audit work is done at the Authority's STMC also located in Woodbridge, NJ. Toll collection observation can occur at any toll plaza along both roadways.

34. What software (financial and operational) is in use for each of the various entities?

ANSWER: PeopleSoft Financials 9.1

35. What was the scope of services performed by KPMG? Were other services provided by KPMG to the Authority outside of audit services?

ANSWER: See question #12 and #31.

36. Is there an active internal audit function? If so, how much assistance, if any, do they currently provide to the external auditors?

ANSWER: Yes – the NJTA has an Internal Audit Department. In the past this department has shared audit reports and findings with the external auditors as well as assisting in confirming outside liability concerns with counsel.

37. How many external auditors are on-site for interim and year-end procedures?

ANSWER: See question #4.

38. Are there any plans for financial/accounting system upgrades in the near future? If so, what is the timing of the upgrade and what new system(s) are being migrated to?

ANSWER: No.

39. May I please request a copy of the Authority's most recent contract, as well as the most recent audit report?

ANSWER: A copy of the Authority's contract is attached to the responses on our website and sent out to all firms on the vendor's list. Most recent audit report can be found on the Authority's website under "Investor Relations".

40. According to resolution 234T-10, the prior auditor was appointed for annual audit services as well as "on call services for various projects," which had a ceiling of \$150,000. What types of projects, if any, were conducted as part of the "on call services" and how much was paid for these services for the past five years?

ANSWER: See question #12 and #31.

41. Will Turnpike personnel be responsible for preparing the Turnpike's Annual Financial Statements (GAAP and Bond Resolution) as well as the Garden State Arts Foundation Financial Statements?

ANSWER: Yes.

42. Are there any significant new federal or state grants in FY15?

ANSWER: See question #20.

43. Was a 2014 management letter issued?

ANSWER: See question #10.

44. When is the earliest the audit can start?

ANSWER: The award of this contract is scheduled for the Authority's September 29, 2015. The audit cannot begin until after the Governor's 10 day veto period has expired and a fully executed contract has been received. The approximate date to start the audit is October 15, 2015.

45. When has interim fieldwork been performed in the past?

ANSWER: See question #30.

46. Can you provide your Capital Budget and Funding plan?

ANSWER: See attachment to responses.

47. Have you engaged a third-party to perform testing of hedge effectiveness for your SWAP instruments? Or is that performed internally?

ANSWER: See question #15.

48. Does the Authority receive a SOC 1 report from Xerox related to the controls over the collection and reporting of electronic tolls?

ANSWER: See question #16.

49. At the 1/28/14 Board meeting, the Authority approved a plan to establish an IRC 115 trust for OPEB. As of 12/31/14, the Trust had not been established. Does the Authority expect to establish the trust in 2015?

ANSWER: Not for 2015; Possibly for 2016.

50. Has there been any changes to the Authorities financial IT applications in the last five years? If so, please describe.

ANSWER: In 2011/2012, an upgrade to PeopleSoft Financials 9.1. There are also patches/updates applied as required.

51. Please provide a list of financially significant outside service providers (e.g. actuary, payroll processing, back office toll-operations, collections, investment trustee, fair value of derivatives etc.) and whether a SOC 1 Type 2 report is available for each entity.

ANSWER:	Significant Service Providers	
	<u>Name</u>	<u>Soc-1 Report</u>
	Xerox	Yes
	Horizon	Yes
	Express Scripts	No
	Inservco	Yes
	BNY	No
	USBank	Yes
	Cherryroad Technologies Inc	No
	Davis Vision	No
	Delta Dental of NJ Inc.	No
	Garda	No
	Oracle	No
	Prudential Insurance	No

52. What general ledger system is utilized? Additionally, please provide a listing of all financially significant sub-ledgers or applications with manual or automatic interfaces to the general ledger.

ANSWER: The Authority uses PeopleSoft Financials. The automatic interfaces to the General Ledger are from the following PeopleSoft modules: PeopleSoft HCM (payroll), Accounts Payable, Accounts Receivable, Billing, Cost Accounting (Inventory), Fixed Asset Management, Cash Management and Deal Management.

53. Can you provide the past two year's schedule of expenditures of federal awards and whether management believes the upcoming years will be consistent with this level.

ANSWER: See question #10. There are no new awards at this time.

54. What is the deadline for the issuance of the audit opinion?

ANSWER: See RFP Scope of Services.

55. What weeks should be scheduled for interim and final? What weeks were the predecessor auditor in the field and how many resources?

ANSWER: See question #30.

56. Is the predecessor auditor allowed to re-bid?

ANSWER: Yes.

57. What information will be available for the implementation of GASB 68?

ANSWER: See question #14.

58. Can you provide a listing of recorded and waived audit adjustments in the last audit?

ANSWER: None.

59. Will exceptions to insurance requirements (consistent with industry practices) and indemnification (AICPA independence) be considered or will RFP be considered non-responsive?

ANSWER: All insurance in the requirements in the RFP must be met at the time of award of the contract.

60. Do you have an estimated number of consents that you will be requesting on an annual basis? If not can you provide the number provided by the predecessor auditor for each of the last two years?

ANSWER: Varies. 2016 is expected to have two.

61. Page 13, Item 2: Indicates a report in accordance with provisions of NJ OMB Circular 93-05. Is this reference correct? Do you mean NJ OMB Circular 15-08?

ANSWER: The reference is incorrect. It is NJ OMB Circular 15-08.

62. It is our understanding that the Authority currently does not require an audit in accordance with NJ OMB 15-08. Does the Authority expect to receive any NJ State Grants in the next three years?

ANSWER: At this time we are not aware of any; however we cannot predict FEMA or FHWA reimbursements from declared events.

63. Will you provide the answers to all questions to all bidders and/or as an addendum to the RFP?

ANSWER: Please see answer to question #23.

64. How many audit adjustments are proposed by the Auditors in a normal year? If there have been significant entries please explain the general nature of them.

ANSWER: None.

65. How extensive is the internal audit function at the Turnpike?

ANSWER: The Internal Audit function has been established at the Authority for over thirty-five (35) years. The Department functionally reports to the NJTA Audit Committee and develops an annual audit plan based on an enterprise based risk assessment. The department currently has a staff of eight (8) professional auditors.

66. What software is utilized for financial and fixed asset accounting? Are there any known plans for a software change in the near future?

ANSWER: See question #52 and #38.

67. Are all accounting processes/records located at the Woodbridge office?

ANSWER: Yes.

68. What service organizations are used and what is the availability of SOC-1 reports? What is the time period of the SOC-1 report(s)?

ANSWER: See question #51.

69. Number of major programs on recent A-133 audit? Do you anticipate the same level of federal funding during the next few years?

ANSWER: See question #53.

70. What is the Turnpike's availability for interim/preliminary testing?

ANSWER: Finance Department staff is available to work with external auditors for interim/preliminary testing any time.

71. Any significant events in current year? Any changes in key personnel?

ANSWER: See question #32 and #19. No changes in key personnel at this time.

72. Have there been any additional billings or services requested from your prior auditors?

ANSWER: Only the on-call services as outlined in questions 15 and 34 above.

PROPOSALS ARE DUE ON TUESDAY, AUGUST 4, 2015 at 4:30 PM ET.